

April 24, 2006

California Public Utilities Commission
550 Van Ness Ave.
San Francisco, CA 94102

Dear Commissioners:

The California Forestry Association represents most of the remaining forest products and energy-to-electricity businesses remaining in the State.

Existing powerplant situation

In the mid 1990's, the California biomass-to-energy industry consisted of 49 operating powerplants with over 800 megawatts of generating capacity. Today, the California biomass-to-energy industry consists of 28 operating powerplants with a generating capacity of about 550 megawatts. Today, the biomass industry produces 1 ½-2 percent of California's electricity while consuming over 7 million tons of biomass wastes.

California has had a Renewable Portfolio Standard (RPS) in place since 2003, requiring 20 percent renewable kilowatt-hours in the sales portfolio of the regulated utilities by 2017. All selected new renewables to date have been wind energy generators (intermittent power versus baseload power). The California Energy Commissions Bioenergy Action Plan calls for 1,500 megawatts of new biomass power generation over the next 14 years.

RPS makes no clear differentiation or preference currently between base load and intermittent and places almost complete emphasis on "low price" wins. Wind power generation enjoys 2 to 4 times the federal production tax credit, as do California biomass powerplants. California has no mechanism for remuneration of the non-electric environmental and social benefits provided by the biomass industry. The recent Western Governor's Association Task Report on Biomass indicates a social benefit of over 11 cents/kilowatt from biomass-produced energy.

The remaining California biomass powerplants are surviving, for now, almost completely on a fixed price agreement (expires between July 2006 and April 2007) and a subsidy (Public Goods Charge) provided by the California Energy Commission (expires December 31, 2006).

The fate of the biomass industry depends on what price the California Utilities Commission sets for electrical energy. Six or seven cents/kilowatt plus a Public Goods

Charge “might” save the existing biomass powerplant but it will not generate new infrastructure construction called for in the California Energy Commission’s Bioenergy Action Plan.

Fuel Supply

The U.S. Forest Service has over 8 million acres of forestland at risk to catastrophic wildfire. The U.S. Forest Service is currently only reducing fuel loading on about 100,000 acres per year, of which an ever-increasing percentage is maintenance of previously treated acres.

The U.S. Forest Service admits that it is treating less than 0.3 percent of the standing inventory annually on the national forests in California and that they are harvesting less than 1/5 the net growth. They’re annual timber harvest is about 300 million board feet per year while there is mortality of 700 million board feet per year in the Sierra Nevada’s alone.

The U.S. Forest Service admits that its management strategy in the Sierra Nevada’s will lead to forests that are **denser** in the future than they are today.

A change in U.S. Forest Service policy to produce 500,000 acres of fuels reduction annually would generate at least 12,000,000 green tons annually of forest biomass; enough to produce at least 600 megawatts of electricity.

Summary

A reasonable price and future pricing structure, set by the Public Utilities Commission, can assure the continuation of the existing 28 California biomass-to-energy powerplants. Further, a price and pricing structure can also be responsive to the California Energy Commission’s bioenergy action plan calling for 1,500 megawatts of new installed capacity.

Sincerely,

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